

PROVIDING FOR CONSIDERATION OF H.R. 1701, CONSUMER  
RENTAL PURCHASE AGREEMENT ACT

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SEPTEMBER 17, 2002.—Referred to the House Calendar and ordered to be printed

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Mr. LINDER, from the Committee on Rules,  
submitted the following

R E P O R T

[To accompany H. Res. 528]

The Committee on Rules, having had under consideration House Resolution 528, by a nonrecord vote, report the same to the House with the recommendation that the resolution be adopted.

SUMMARY OF PROVISIONS OF THE RESOLUTION

The resolution provides for the consideration of H.R. 1701, the Consumer Rental Purchase Agreement Act, under a structured rule. The rule provides one hour of general debate, with 50 minutes equally divided and controlled by the chairman and ranking minority member of the Committee on Financial Services and 10 minutes equally divided and controlled by the chairman and ranking minority member of the Committee on the Judiciary.

The rule provides that the amendment in the nature of a substitute recommended by the Committee on Financial Services, as amended by the amendment recommended by the Committee on the Judiciary, now printed in the bill shall be considered as an original bill for the purpose of amendment and shall be considered as read.

The rule makes in order only those amendments printed in this report. The rule provides that the amendments printed in this report shall be considered only in the order printed, may be offered only by a Member designated in this report, shall be considered as read, shall be debatable for the time specified in this report equally divided and controlled by the proponent and an opponent, shall not be subject to amendment, and shall not be subject to a demand for division of the question in the House or in the Committee of the Whole. The rule waives all points of order against the amendments printed in this report.

Finally, the rule provides one motion to recommit with or without instructions.

SUMMARY OF AMENDMENTS MADE IN ORDER UNDER THE RULE

1. LaFalce: Incorporates the standard for limiting the total purchase price of rental-purchase merchandise from New York, Ohio and Nebraska state law, and establishes a process for determining standards in regulation for determining the cash price of rental-purchase merchandise. (20 minutes)

2. Waters: Prohibits the shifting of liability for loss, damage or destruction of the property subject to rental-purchase agreement to the consumer. The liability remains with the merchant. (20 minutes)

TEXT OF AMENDMENTS MADE IN ORDER UNDER THE RULE

1. AN AMENDMENT TO BE OFFERED BY REPRESENTATIVE LAFALCE OF NEW YORK, OR A DESIGNEE, DEBATABLE FOR 20 MINUTES

Page 5, strike line 5 and all that follows through line 8, and insert the following new paragraph:

“(4) CASH PRICE.—

“(A) IN GENERAL.—The term ‘cash price’ means the price at which a merchant, in the ordinary course of business, would offer to sell for cash the property that is the subject of the rental-purchase agreement, as determined by the Board pursuant to this paragraph.

“(B) DETERMINATION OF CASH PRICE.—The Board shall determine in regulation the formula or criteria for calculating the cash price of a product that is the subject of the rental-purchase agreement, which shall approximate the equivalent fair market value of the product if offered under a cash or credit sale, as adjusted to reflect additional charges or services, if any, that the Board determines are appropriate for purposes of rental-purchase transactions.

“(C) MINIMUM CASH PRICE.—Notwithstanding subparagraph (B), the cash price determined by the Board pursuant to subparagraph (B) shall not be less than an amount equal to twice the documented actual acquisition cost of the property to the merchant, which shall include the cost of shipment, refurbishing or other charges, as determined by the Board; except that, a merchant shall not be precluded from selling a product for cash for an amount that is less than the cash price determined under this paragraph.

“(D) ADJUSTMENT FOR USED PROPERTY.—The cash price of used or previously rented property that is the subject of the rental-purchase agreement shall be determined by adjustment of the cash price determined under this paragraph according to such formula or criteria as the Board shall prescribe by regulation.

“(E) PERIODIC ADJUSTMENT REQUIRED.—The Board shall, by regulation, periodically review and revise, as necessary, the formula or criteria for determining cash price under this paragraph in response to changes in merchant costs,

market conditions, or other factors determined by the Board.

Page 17, beginning on line 4, strike “either by payment of the total cost” and all that follows through line 7, and insert “in accordance with section 1006;”

Page 18, beginning on line 8, strike “ or any early payment option provided in the rental purchase agreement,”.

Page 18, strike line 12 and all that follows through line 17 and insert the following new subsection:

“(b) TRANSFER OF OWNERSHIP.—

“(1) SCHEDULED PAYMENTS.—The consumer shall acquire ownership of the rental property upon payment of periodic payments totaling more than an amount, 50 percent of which equals the cash price of the rental property.

“(2) EARLY PAYMENT OPTION.—The consumer shall acquire ownership of the rental property, at any time after the initial payment, upon payment by the consumer of an amount equal to the amount by which the cash price of the leased property exceeds 50 percent of all previous payments under the rental-purchase agreement.

Page 18, beginning on line 23, strike “, or any early purchase option amount provided in the rental-purchase agreement, as applicable”.

Page 19, line 4, strike “RIGHTS” and insert “DOCUMENTS”.

Page 19, beginning on line 6, strike “ or any early purchase option amount provided in the rental-purchase agreement, as appropriate”.

## 2. AN AMENDMENT TO BE OFFERED BY REPRESENTATIVE WATERS OF CALIFORNIA, OR A DESIGNEE, DEBATABLE FOR 20 MINUTES

Page 19, line 22, strike “A rental-purchase agreement” and insert “(a) IN GENERAL.—A rental-purchase agreement”.

Page 21, after line 13, insert the following new subsection:

“(b) CONTINUED APPLICABILITY OF EXISTING LAW.—

“(1) IN GENERAL.—Except as provided in paragraph (2), the risk of any loss, damage, or destruction of the property that is the subject of a rental-purchase agreement shall remain with the merchant throughout the period such agreement is in effect and any rental-purchase agreement, or any waiver or other form of agreement between the merchant and the consumer, that purports to shift the burden of any such risk, and the cost of insuring against any such risk, to the consumer shall be null and void.

“(2) EXCEPTION FOR LOSS, DAMAGE, OR DESTRUCTION FOR WHICH THE CONSUMER IS DIRECTLY RESPONSIBLE.—Paragraph (1) shall not apply with respect to any loss, damage, or destruction that was deliberately caused by the consumer or that occurred due to the negligence of the consumer.